

PERAC AUDIT REPORT



Gloucester Contributory Retirement System

JAN. 1, 2001 - DEC. 31, 2004 / PERAC 04: 11-040-14



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PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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JOSEPH E. CONNARTON, *Executive Director*

June 6, 2005

The Public Employee Retirement Administration Commission has completed an examination of the **Gloucester** Retirement System pursuant to G.L. c. 32, s. 21. The examination covered the period from January 1, **2001** to December 31, **2004**. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records and management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission. There are no significant audit findings to report.

We commend the **Gloucester** Retirement Board for the exemplary operation of the system.

In closing, I acknowledge the work of examiners James Ryan and James Tivnan who conducted this examination and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,



Joseph E. Connarton
Executive Director



Gloucester Retirement System

STATEMENT OF LEDGER ASSETS AND LIABILITIES

**FOR THE FOUR YEAR PERIOD BEGINNING JANUARY 1, 2001
AND ENDING DECEMBER 31, 2004**

FOR THE PERIOD ENDING DECEMBER 31,				
ASSETS	2004	2003	2002	2001
Cash	\$297,454	\$447,979	\$944,212	\$1,100,853
Fixed Income Securities (at book value)	0	0	13,429,263	13,034,996
Equities	6,863,184	11,836,367	7,909,906	10,902,473
Pooled Short Term Funds	0	0	0	0
Pooled Domestic Equity Funds	12,167,250	6,274,248	4,354,064	6,155,768
Pooled International Equity Funds	7,339,024	6,062,916	4,641,345	4,344,246
Pooled Global Equity Funds	0	0	0	0
Pooled Domestic Fixed Income Funds	18,964,874	17,889,549	4,329,550	4,259,320
Pooled International Fixed Income Funds	0	0	0	0
Pooled Global Fixed Income Funds	0	0	0	0
Pooled Alternative Investment Funds	0	0	0	0
Pooled Real Estate Funds	3,015,224	0	0	0
Pooled Domestic Balanced Funds	7,051,113	6,307,997	4,963,862	5,857,578
Pooled International Balanced Funds	0	0	0	0
Interest Due and Accrued	581	99	124,984	145,896
Accounts Receivable	0	1,796,316	1,737,361	1,468,558
Accounts Payable	(23,247)	(14,159)	(26,408)	(27,327)
TOTAL	<u>\$55,675,458</u>	<u>\$50,601,313</u>	<u>\$42,408,139</u>	<u>\$47,242,360</u>
FUND BALANCES				
Annuity Savings Fund	\$18,225,579	\$17,195,185	\$16,172,564	\$15,082,993
Annuity Reserve Fund	6,407,993	6,298,056	5,825,055	5,543,029
Pension Fund	459,376	1,439,964	2,856,917	4,166,495
Military Service Fund	6,098	2,786	0	0
Expense Fund	0	0	0	0
Pension Reserve Fund	30,576,412	25,665,322	17,553,603	22,449,843
TOTAL	<u>\$55,675,458</u>	<u>\$50,601,313</u>	<u>\$42,408,139</u>	<u>\$47,242,360</u>

Gloucester Retirement System

STATEMENT OF CHANGES IN FUND BALANCES

**FOR THE FOUR YEAR PERIOD BEGINNING JANUARY 1, 2001
AND ENDING DECEMBER 31, 2004**

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance (2001)	\$14,080,677	\$5,389,012	\$5,768,315	\$0	\$0	\$23,494,845	\$48,732,849
Receipts	2,002,697	163,472	3,336,734	0	448,725	(1,045,002)	4,906,626
Interfund Transfers	(655,576)	655,576	0	0	0	0	0
Disbursements	(344,804)	(665,031)	(4,938,554)	0	(448,725)	0	(6,397,115)
Ending Balance (2001)	15,082,993	5,543,029	4,166,495	0	0	22,449,843	47,242,360
Receipts	2,125,766	168,457	3,858,295	0	430,029	(4,898,671)	1,683,875
Interfund Transfers	(847,681)	845,250	0	0	0	2,431	0
Disbursements	(188,513)	(731,681)	(5,167,874)	0	(430,029)	0	(6,518,097)
Ending Balance (2002)	16,172,564	5,825,055	2,856,917	0	0	17,553,603	42,408,139
Receipts	2,251,418	170,391	3,948,469	2,786	379,170	8,111,719	14,863,952
Interfund Transfers	(1,065,406)	1,067,346	(1,940)	0	0	0	0
Disbursements	(163,391)	(764,736)	(5,363,482)	0	(379,170)	0	(6,670,779)
Ending Balance (2003)	17,195,185	6,298,056	1,439,964	2,786	0	25,665,322	50,601,312
Receipts	2,090,315	190,483	4,889,942	26,278	402,956	4,911,091	12,511,064
Interfund Transfers	(710,634)	722,117	0	(11,483)	0	0	(0)
Disbursements	(349,287)	(802,663)	(5,870,529)	(11,483)	(402,956)	0	(7,436,919)
Ending Balance (20004)	<u>\$18,225,579</u>	<u>\$6,407,993</u>	<u>\$459,376</u>	<u>\$6,098</u>	<u>\$0</u>	<u>\$30,576,412</u>	<u>\$55,675,458</u>

Gloucester Retirement System

STATEMENT OF INCOME

**FOR THE FOUR YEAR PERIOD BEGINNING JANUARY 1, 2001
AND ENDING DECEMBER 31, 2004**

	FOR THE PERIOD ENDING DECEMBER 31,			
	2004	2003	2002	2001
Annuity Savings Fund:				
Members Deductions	\$1,747,155	\$1,791,388	\$1,794,079	\$1,656,529
Transfers from other Systems	108,421	124,661	8,106	50,977
Member Make Up Payments and Redeposits	65,016	151,874	120,174	38,554
Member Payments from Rollovers	69,714	25,115	0	0
Investment Income Credited to Member Accounts	<u>100,008</u>	<u>158,380</u>	<u>203,407</u>	<u>256,636</u>
Sub Total	<u>2,090,315</u>	<u>2,251,418</u>	<u>2,125,766</u>	<u>2,002,697</u>
Annuity Reserve Fund:				
Investment Income Credited Annuity Reserve Fund	<u>190,483</u>	<u>170,391</u>	<u>168,457</u>	<u>163,472</u>
Pension Fund:				
3 (8) (c) Reimbursements from Other Systems	22,298	25,083	26,939	29,221
Received from Commonwealth for COLA and Survivor Benefits	153,422	345,386	376,356	391,514
Pension Fund Appropriation	<u>4,714,221</u>	<u>3,578,000</u>	<u>3,455,000</u>	<u>2,916,000</u>
Sub Total	<u>4,889,942</u>	<u>3,948,469</u>	<u>3,858,295</u>	<u>3,336,734</u>
Military Service Fund:				
Contribution Received from Municipality on Account of Military Service	26,261	2,786	0	0
Investment Income Credited Military Service Fund	<u>17</u>	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>26,278</u>	<u>2,786</u>	<u>0</u>	<u>0</u>
Expense Fund:				
Investment Income Credited to Expense Fund	<u>402,956</u>	<u>379,170</u>	<u>430,029</u>	<u>448,725</u>
Sub Total	<u>402,956</u>	<u>379,170</u>	<u>430,029</u>	<u>448,725</u>
Pension Reserve Fund:				
Federal Grant Reimbursement	17,984	17,061	19,465	19,638
Interest Not Refunded	3,612	1,969	4,414	3,130
Miscellaneous Income	3,473	14,961	0	0
Excess Investment Income	<u>4,886,021</u>	<u>8,077,727</u>	<u>(4,922,550)</u>	<u>(1,067,770)</u>
Sub Total	<u>4,911,091</u>	<u>8,111,719</u>	<u>(4,898,671)</u>	<u>(1,045,002)</u>
TOTAL RECEIPTS	<u>\$12,511,064</u>	<u>\$14,863,952</u>	<u>\$1,683,875</u>	<u>\$4,906,626</u>

Gloucester Retirement System

STATEMENT OF DISBURSEMENTS

**FOR THE FOUR YEAR PERIOD BEGINNING JANUARY 1, 2001
AND ENDING DECEMBER 31, 2004**

FOR THE PERIOD ENDING DECEMBER 31,				
	2004	2003	2002	2001
Annuity Savings Fund:				
Refunds to Members	\$263,727	\$84,109	\$163,863	\$253,322
Transfers to other Systems	85,560	79,282	24,651	91,482
Sub Total	<u>349,287</u>	<u>163,391</u>	<u>188,513</u>	<u>344,804</u>
Annuity Reserve Fund:				
Annuities Paid	802,663	724,146	691,961	657,530
Option B Refunds	0	40,589	39,719	7,501
Sub Total	<u>802,663</u>	<u>764,736</u>	<u>731,681</u>	<u>665,031</u>
Pension Fund:				
Pensions Paid				
Regular Pension Payments	3,798,743	3,355,699	3,155,438	2,918,003
Survivorship Payments	304,367	287,963	300,619	303,656
Ordinary Disability Payments	192,860	178,651	171,092	158,928
Accidental Disability Payments	1,156,795	1,135,449	1,115,372	1,108,629
Accidental Death Payments	219,408	235,507	261,727	293,968
Section 101 Benefits	81,964	79,478	72,995	66,420
3 (8) (c) Reimbursements to Other Systems	116,392	90,735	90,631	88,950
Sub Total	<u>5,870,529</u>	<u>5,363,482</u>	<u>5,167,874</u>	<u>4,938,554</u>
Military Service Fund:				
Return to Municipality for Members Who				
Withdrew Their Funds	<u>11,483</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expense Fund:				
Board Member Stipend	16,500	16,500	16,500	16,500
Salaries	80,360	78,341	77,865	74,171
Legal Expenses	2,486	2,906	3,131	5,544
Fiduciary Insurance	5,925	3,922	3,243	0
Service Contracts	18,798	17,484	9,574	0
Rent Expense	12,420	12,420	12,420	0
Travel Expenses	2,442	2,765	4,893	3,042
Administrative Expenses	6,406	7,972	20,010	31,547
Furniture and Equipment	1,650	132	1,068	1,276
Management Fees	201,862	173,425	224,106	240,622
Custodial Fees	29,107	38,302	32,218	35,974
Consultant Fees	25,000	25,000	25,000	40,050
Sub Total	<u>402,956</u>	<u>379,170</u>	<u>430,029</u>	<u>448,725</u>
TOTAL DISBURSEMENTS	<u>\$7,436,919</u>	<u>\$6,670,779</u>	<u>\$6,518,097</u>	<u>\$6,397,115</u>

Gloucester Retirement System

INVESTMENT INCOME

**FOR THE FOUR YEAR PERIOD BEGINNING JANUARY 1, 2001
AND ENDING DECEMBER 31, 2004**

	FOR THE PERIOD ENDING DECEMBER 31,			
	2004	2003	2002	2001
Investment Income Received From:				
Cash	\$2,478	\$2,583	\$15,660	\$18,659
Short Term Investments	0	0	0	0
Fixed Income	0	238,913	916,193	981,487
Equities	174,367	156,292	120,385	140,194
Pooled or Mutual Funds	644,450	506,935	156,044	196,787
Commission Recapture	<u>6,373</u>	<u>5,521</u>	<u>3,708</u>	<u>4,740</u>
TOTAL INVESTMENT INCOME	<u>827,668</u>	<u>910,245</u>	<u>1,211,991</u>	<u>1,341,868</u>
Plus:				
Realized Gains	1,414,580	979,205	576,527	824,076
Unrealized Gains	6,590,867	9,188,314	3,956,570	5,060,898
Interest Due and Accrued on Fixed Income Securities - Current Year	<u>581</u>	<u>99</u>	<u>124,984</u>	<u>145,896</u>
Sub Total	<u>8,006,028</u>	<u>10,167,619</u>	<u>4,658,081</u>	<u>6,030,871</u>
Less:				
Paid Accrued Interest on Fixed Income Securities	0	(5,375)	(78,420)	(76,055)
Realized Loss	(1,013,219)	(275,184)	(2,221,182)	(1,215,750)
Unrealized Loss	(2,222,893)	(1,886,652)	(7,545,232)	(6,106,242)
Interest Due and Accrued on Fixed Income Securities - Prior Year	<u>(99)</u>	<u>(124,984)</u>	<u>(145,896)</u>	<u>(173,628)</u>
Sub Total	<u>(3,236,211)</u>	<u>(2,292,195)</u>	<u>(9,990,730)</u>	<u>(7,571,675)</u>
NET INVESTMENT INCOME	<u>5,597,486</u>	<u>8,785,668</u>	<u>(4,120,658)</u>	<u>(198,937)</u>
Income Required:				
Annuity Savings Fund	100,008	158,380	203,407	256,636
Annuity Reserve Fund	190,483	170,391	168,457	163,472
Military Service Fund	17	0	0	0
Expense Fund	<u>402,956</u>	<u>379,170</u>	<u>430,029</u>	<u>448,725</u>
TOTAL INCOME REQUIRED	<u>693,465</u>	<u>707,941</u>	<u>801,892</u>	<u>868,833</u>
Net Investment Income	<u>5,597,486</u>	<u>8,785,668</u>	<u>(4,120,658)</u>	<u>(198,937)</u>
Less: Total Income Required	<u>693,465</u>	<u>707,941</u>	<u>801,892</u>	<u>868,833</u>
EXCESS INCOME TO THE PENSION RESERVE FUND	<u>\$4,904,021</u>	<u>\$8,077,727</u>	<u>(\$4,922,550)</u>	<u>(\$1,067,770)</u>

Gloucester Retirement System

STATEMENT OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2004

	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS	PERCENTAGE ALLOWED*
Cash	\$297,454	0.53%	100
Short Term	0	0.00%	100
Fixed Income	0	0.00%	40 - 80
Equities	6,863,184	12.32%	40
Pooled Short Term Funds	0	0.00%	
Pooled Domestic Equity Funds	12,167,250	21.84%	
Pooled International Equity Funds	7,339,024	13.18%	
Pooled Global Equity Funds	0	0.00%	
Pooled Domestic Fixed Income Funds	18,964,874	34.05%	
Pooled International Fixed Income Funds	0	0.00%	
Pooled Global Fixed Income Funds	0	0.00%	
Pooled Alternative Investment Funds	0	0.00%	
Pooled Real Estate Funds	3,015,224	5.41%	
Pooled Domestic Balanced Funds	7,051,113	12.66%	
GRAND TOTALS	<u>\$55,698,123</u>	<u>100.00%</u>	

For the year ending December 31, **2004**, the rate of return for the investments of the **Gloucester** Retirement System was 11.30%. For the five year period ending December 31, **2004**, the rate of return for the investments of the **Gloucester** Retirement System averaged 4.00%. For the twenty-year period ending December 31, **2004**, since PERAC began evaluating the returns of the retirement systems, the rate of return of the investments of the **Gloucester** Retirement System was 12.00%.

Gloucester Retirement System

SUPPLEMENTARY INVESTMENT REGULATIONS

FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2004

The **Gloucester** Retirement System submitted the following supplementary investment regulations, which were approved by PERAC on:

December 26, 1990

- 20.03(1) Equity investments shall not exceed 50% of the total book value of the portfolio at the time of purchase.

January 3, 1992

- 16.02(4) The board may employ a custodian bank and as of January 1, 1991, may charge such expenses against earned income from investments provided that such expenses shall not exceed in any one-year .08% of the value of the fund.

April 7, 1992

- 16.02(4) Consulting expenses for a custodian bank search incurred in the calendar year ending December 31, 1991 may be charged against earned income from investments in an amount that shall not exceed \$2,500.

March 31, 1994

- 16.02(3) The board may incur expenses for investment advice or management of the funds of the system by a qualified investment manager and the board may incur expenses for consulting services. Expenses for investment management and consulting services may be charged against earned income from investment provided that the total of such expenses shall not exceed in any one year: (a) 1% of the value of the fund for the first \$5 million; and (b) 0.5% of the value of the fund in excess of \$5 million.

January 11, 1996

- 20.03(1) Equity investments shall not exceed 50% of the portfolio valued at market, including international equities which shall not exceed 5% of the portfolio valued at market.
- 20.04(1) United States based corporations and equities of foreign corporations.
- 20.07(5) Equity investments shall be made only in securities listed on a United States stock exchange, traded over the counter in the United States, or listed and traded on a foreign exchange.

Gloucester Retirement System

SUPPLEMENTARY INVESTMENT REGULATIONS (CONTINUED)

FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2004

840 CMR 21.00: Prohibited Investments

(3) Futures Contracts other than as follows:

- (a) Currency Futures, Calls and Forward Contracts may be written against securities in the international portfolio by an investment advisor registered under the Investment Act of 1940 and who has been granted a waiver from PERA for international investments.
- (b) Currency Futures, Calls and Forward Contracts may be written against securities in the international portfolio to a maximum of fifty percent (50%) of the international portfolio's non-dollar holdings at market value. Speculative currency positions unrelated to underlying portfolio holdings are strictly prohibited.

August 22, 1996

20.03(2) At least 40% but no more than 80% of the total portfolio valued at market shall consist of fixed income investments with a maturity of more than one year, including Yankee Bonds which shall be limited to 5% of the total fixed income portfolio valued at market.

Gloucester Retirement System

NOTES TO FINANCIAL STATEMENTS

FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2004

NOTE 1 - THE SYSTEM

The plan is a contributory defined benefit plan covering all **Gloucester** Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

Instituted in 1937, the System is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws. Membership in the plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

The system provides for retirement allowance benefits up to a maximum of 80% of a member's highest three year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and public safety positions, normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 75 - 85% pension and 15 - 25% annuity.

Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Members joining the retirement system after January 1, 1979 must contribute an additional 2% on regular compensation earned at a rate in excess of \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. These deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Executive Director of PERAC according to statute. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustment granted between 1981 and 1997 and any increase in other benefits imposed by state law during that period are borne by the state.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current year pension payments as indicated on the most recent funding schedule as approved by PERAC's Actuary. Until recently, retirement systems were paying only the actual retirement

Gloucester Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2004

benefits that were due each year. Systems had no statutory authorization to put aside any money for the future benefits of employees who are now working. Large unfunded liabilities resulted from operating upon this pay-as-you-go basis. In 1977, legislation authorized local governments to appropriate funds to meet future pension obligations.

In 1983, additional legislation was passed requiring the transfer of investment earnings (in excess of the amount credited to member accounts) into the Pension Reserve Fund. These initiatives have significantly reduced the rate of growth of the retirement systems' unfunded liabilities, and in some systems have actually eliminated such liability.

Administrative expenses are funded through investment income of the system.

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent upon several factors including: whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veteran's status, and group classification.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive either zero (0%) percent, fifty (50%) percent, or one hundred (100%) percent of the regular interest which has accrued upon those deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Executive Director of Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Voluntary contributions, redeposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

Gloucester Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2004

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The **Gloucester** Retirement System submitted the following supplementary membership regulations, which were approved by PERAC on:

December 14, 1984

1. Effective 8-12-80 all part-time employees who work at least twenty (20) hours per week within a calendar year must become members of the Gloucester Retirement System.

Gloucester Retirement System

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (CONTINUED)

FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2004

2. An employee who averages twenty (20) hours or more per week will be credited a proportionate share of a year's creditable service.
3. Effective 8-12-80 Teacher's Aides or anybody doing work of a similar nature, will not be admitted as members in the pension system until they have completed six (6) months of employment.
4. Civil Service provisional employees must wait six (6) months to be eligible for membership, except those otherwise disqualified by law. All others such as those employees who are permanent or those appointed by the Mayor or City Council are admitted immediately.
5. Effective 8-12-80 a person whose sole service to the City of Gloucester is considered less than full time, shall be ineligible for membership in the pension system.
6. All medical and financial records pertaining to an employee in service or retired are not public records but are records of the retirement board.
7. Gloucester Housing Authority temporary full-time employees must wait six (6) months to be eligible for membership.
8. In order to insure the proper individual is receiving the benefits to which he/she is entitled, every retiree or beneficiary receiving a pension from the City of Gloucester is required to file his/her notarized signature with the Gloucester Retirement Board. Failure to return the specified card, properly filled out, within ninety (90) days of postmark, will result in the suspension of benefits.

Revised April 12, 1994

Change our rule #7 "Gloucester Housing Authority temporary full-time employees must wait six (6) months to be eligible for membership" to the following:

All temporary full time employees who are scheduled to work at least twenty hours per week for the calendar period are eligible for membership.

Gloucester Retirement System

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (CONTINUED)

FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2004

Change rule #4 “Civil Service provisional employees must wait six months to be eligible for membership, except those otherwise disqualified by law, all others, such as those employees who are permanent or those appointed by the Mayor or City Council are admitted immediately” to the following:

Permanent provisional employees are eligible to enter the system at once

April 12, 1994

A full year of creditable service for each school year employed for regularly employed full time school cafeteria employees shall be granted, subject to review at the time of retirement. Creditable service for part time employees shall be prorated as bears against full time service but in no event shall any employee working less than twenty hours per week be guaranteed creditable service.

December 17, 1996

To require the notarized signature of the spouse of a married member’s election of retirement option.

April 23, 1997

1.) An eligible member may not receive additional creditable service until the member has paid into the annuity savings fund of the system the total amount required by chapter 71 of the acts of 1996, Veteran Buy-Back Law. This payment may be made “in one lump sum” or in installment payments. Installments may be spread evenly over a maximum period of five years with a minimum bi-weekly payment of \$20.00. There will be no interest charge on any outstanding balance.

2.) If a member has decided to purchase this additional creditable service and installments have already been paid, moneys are not refundable except upon the member’s termination of service as provided in G.L. c. 32, § 10(4) and 11(1).

3.) The total veteran’s buy back payment must be paid in full prior to the member’s effective date of retirement. Creditable service would be prorated based upon any unpaid balance.

January 2, 2001

In order to be eligible for membership in the Gloucester Contributory Retirement System, permanent part-time or permanent full-time employees must be hired to work at least twenty (20) hours per week in a calendar year. A permanent part-time or permanent full-time employee is defined as any employee who is hired to work at least twenty (20) hours per week in a calendar year, or if employed in more than one position, such that when the hours of employment are added together those hours shall at least equal 20 hours per week in a calendar year. Any additional time worked on a temporary or employee elected basis, such as additional shifts; filling in for vacation or sick time, do not count towards the twenty hour minimum requirement for membership.

Gloucester Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2004

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by **Stone Consulting Inc.** as of **January 1, 2004.**

The actuarial liability for active members was	\$49,680,921
The actuarial liability for retired members was	<u>56,071,066</u>
The total actuarial liability was	105,751,987
System assets as of that date were	52,051,078
The unfunded actuarial liability was	<u>\$53,700,909</u>
 The ratio of system's assets to total actuarial liability was	 49.2%
As of that date the total covered employee payroll was	\$20,531,638

The normal cost for employees on that date was 8.35% of payroll

The normal cost for the employer was 5.12% of payroll

The principal actuarial assumptions used in the valuation are as follows:

Investment Return: 8.25% per annum

Rate of Salary Increase: 5.00% per annum

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2004

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2004	\$ 52,051,078	\$ 105,751,987	\$ 53,700,909	49.2%	\$20,531,638	261.6%
1/1/2003	\$ 46,648,953	\$ 99,625,844	\$ 52,976,891	46.8%	\$20,984,801	252.5%
1/1/2001	\$ 48,732,849	\$ 81,303,049	\$ 32,570,200	59.9%	\$19,438,637	167.6%
1/1/1998	\$ 41,461,962	\$ 66,810,525	\$ 25,348,563	62.1%	\$16,252,794	156.0%

Gloucester Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2004

NOTE 6 - MEMBERSHIP EXHIBIT

Retirement in Past Years	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Superannuation	15	9	16	21	11	6	10	15	18	14
Ordinary Disability	0	0	1	1	0	0	0	1	1	1
Accidental Disability	3	2	1	1	2	2	1	2	2	0
Total Retirements	18	11	18	23	13	8	11	18	21	15
Total Retirees, Beneficiaries and Survivors	391	386	395	400	404	402	400	402	404	407
Total Active Members	507	531	545	554	572	577	590	577	550	538
Pension Payments										
Superannuation	\$2,007,231	\$2,086,149	\$2,319,648	\$2,441,525	\$2,713,300	\$2,742,496	\$2,918,003	\$3,155,438	\$3,355,699	\$3,798,743
Survivor/Beneficiary Payments	213,911	219,720	228,221	310,233	260,534	294,375	303,656	300,619	287,963	304,367
Ordinary Disability	136,150	127,258	134,858	143,419	157,932	150,848	158,928	171,092	178,651	192,860
Accidental Disability	907,045	997,904	1,008,999	1,046,693	1,120,841	1,123,062	1,108,629	1,115,372	1,135,449	1,156,795
Other	<u>229,671</u>	<u>250,507</u>	<u>268,745</u>	<u>274,815</u>	<u>410,268</u>	<u>444,339</u>	<u>449,338</u>	<u>425,353</u>	<u>405,720</u>	<u>417,764</u>
Total Payments for Year	<u>\$3,494,008</u>	<u>\$3,681,538</u>	<u>\$3,960,471</u>	<u>\$4,216,685</u>	<u>\$4,662,875</u>	<u>\$4,755,120</u>	<u>\$4,938,554</u>	<u>\$5,167,874</u>	<u>\$5,363,482</u>	<u>\$5,870,529</u>

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